

EX PARTE OR LATE FILED



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February 12, 1997

Mr. William F. Caton  
Secretary  
Federal Communications Commission  
1919 M. St., NW, Room 222  
Washington, D.C. 20554

RE: Ex Parte Presentation – Proxy Cost Models  
CC Docket No. 96-45

FEB 12 1997  
FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C.

Dear Mr. Caton,

AT&T and MCI met today with the Federal-State Joint Board Staff on CC Docket No. 96-45. During this meeting, the Hatfield Model, Release 3.0 was reviewed. A copy of the viewgraphs is attached.

Attending this meeting were Robert Loube, Emily Hoffnar, William Sharkey, Dave Konuch, Chris Barnekov, Sandra Makeeff, Phil McClelland, Tom Wilson, Rowland Curry, Barry Payne, Whitey Thayer, David Krech, Dave Dowds, Brian Roberts, Lee Palagyi, Tony Dale, Brian Clopton, Charlie Bolle, and Paul Pederson. Representing AT&T were myself and Michael Lieberman. Chris Frentrup represented MCI.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's rules.

Sincerely,

A handwritten signature in cursive script, appearing to read "Richard N. Clarke".

Richard N. Clarke

Attachments

cc: Joint Board Staff Members

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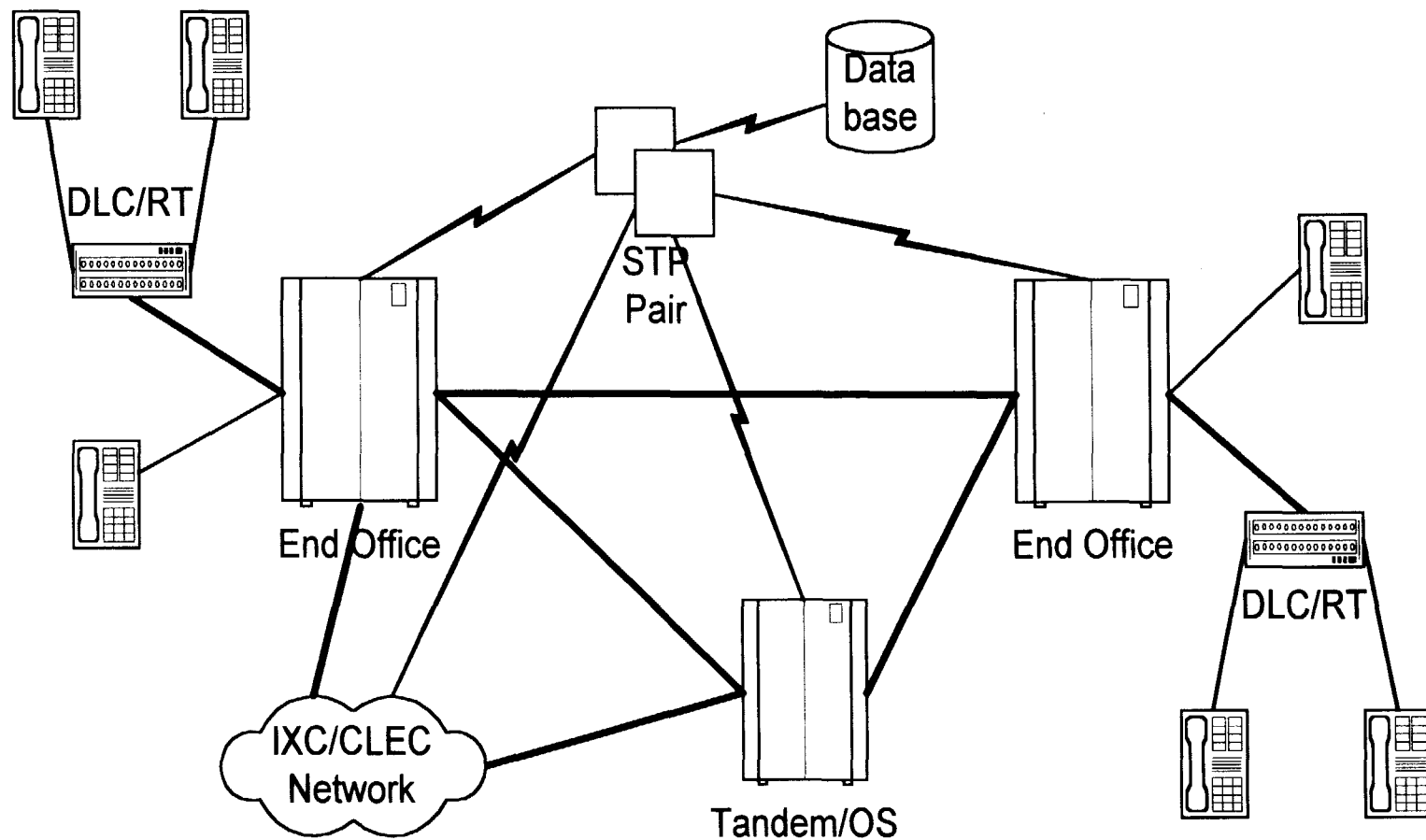
# **Hatfield Model, Release 3.0**

Forward-Looking Economic Costs of  
Universal Service, Carrier Access and  
Unbundled Network Elements

Model Developed by  
Hatfield Associates  
for AT&T and MCI

Joint Board Staff  
Washington, D.C.  
February 12, 1997

# Local network modeled



# Input Data

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- Determination of demand quantities in each CBG
  - Residence
  - Business
  - Public
  - Special
- Assignment of CBGs to serving wire centers
- Traffic quantities
- User-adjustable inputs

# Loop Investments

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- Distribution quantities to ensure all demand is served
  - Empty CBGs and empty area
  - Grid / clustering
  - Extension of feeder into CBG
- Engineering of long loops

# Switching Investments

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- Revised switching investment curve
  - Large LEC
  - Small LEC
- Administrative fill

# Interoffice Investment

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- SONET fiber rings and point-to-point
- Transport
  - Dedicated (with entrance facilities)
  - Common
  - Direct
- Scaling of signaling

# Expenses

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- Refinement of calculations
- Cost of capital calculated at midyear
- Depreciation adjusted for net salvage
- Regional labor adjustments possible



# Output Reporting

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- Density zones (DLC and nonDLC)
- Wire center
- CBG
- USF, UNE and carrier access disaggregation
- Dynamic definition of supported basic service

# How Hatfield builds costs

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- Determines customer demand
  - By geographical location, customer and service type
- Calculates efficient facilities investment required to serve demand
  - Materials / placement / installation
- Calculates capital carrying cost
  - Depreciation / return / taxes
- Adds network operations and support expenses
- Adds share of corporate overheads
- Adds sales/retail expense as appropriate

# Running the Hatfield Model

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- Basic model is written in Microsoft Excel
- Interface is Visual Basic
- Access database used to store data and scenarios
- All data and calculations are visible and auditable -- nothing locked
- Runs much quicker than v.2.2.2
- Can run on a typical desktop PC